

GAS ROYALTY OPERATIONS INFORMATION BULLETIN April 2014

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PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT

A. ANNOUNCEMENTS

Annual Operating Cost Adjustments for 2008 Production Year

Royalty clients may have a charge type on their February 2014 invoice titled "Annual Operating Cost Adjustment". For the production year 2008, this adjustment represents a change in the Crown share of operating costs due to the annual recalculation of unit operating cost rates (UOCR). Two reports titled Annual Operating Cost Adjustment Details and Annual Operating Cost Adjustment Summary are included with the February invoice issued in April. The prior year's actual rates from this year's UOCR calculation process are published and can be viewed at the [Unit Operating Cost Rates](#) link on the [Royalty Related Information](#) page on the department website.

Effective with the 2009 production year, operating costs have been distributed to owners of each facility in a similar manner as capital costs and custom processing fees. This new method of distribution does not require an estimated or actual UOCR and there is no subsequent need to recapture operating costs from non-owners at the end of a year.

For additional information, please refer to the [March 2004 Supplement Information Bulletin 04-03A](#) as well as the [Changes to Gas Cost Allowance](#) link on the department website. If you require further information, please contact Volumetric & Cost Reporting.

Update on Business Structure Changes – Volumetric & Cost Reporting

Volumetric and Cost Reporting (V&CR) business structure has changed from the Business Associate client portfolio system to a task-specific team system. V&CR is now composed of the following four teams and respective team leads:

- | | |
|---------------------|-----------------|
| 1. Volumetrics | Nicole Le Blanc |
| 2. Costs | Joyce Chen |
| 3. Process Support | Penny White |
| 4. Special Projects | Oana Jurgea |

All teams can be contacted via email at VCR@gov.ab.ca or by phone at 780-422-8727.

B. MONTHLY INFORMATION

Pricing for Gas and Gas Products

For Pricing of gas and gas products and transportation Information for February 2014 refer to the [Information Letter](#).

The monthly default sulphur price for February 2014 is \$71.58. Below are the annual sulphur default prices:

2009	2010	2011	2012
\$5.83	\$44.69	\$116.36	\$98.02

February 2014 Royalty Due May 31

Royalty clients are to remit the total amount payable shown on the May 2014 Statement of Account by May 31, 2014. If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided. Current period interest will not be charged on current invoice charges for the production month of February if it is paid in full by May 31, 2014.

The May 2014 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your February 2014 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.

Note: If the due date falls on a non-business day, the next business day will apply as the due date except for the month of March due to the Government of Alberta's fiscal year end. In this situation, the due date will apply previous to the non-business day as the due date.

Cheques are made payable to the Government of Alberta.

March 2014 VA4 due May 15

The VA4 forms for the production month of March 2014 are due in the department offices by May 15, 2014.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Petrinex Deadline Submissions

The Petrinex deadline for SAF, OAF, and Volumetric submissions are posted on the Petrinex website "Reporting Calendars" under Calendars. **Changes to this calendar will be posted on the Petrinex website home page in "Broadcast Messages."**

Interest Rate April 2014

Alberta Energy's interest rate for April is 4.00%.

January Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the January 2014 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments (Net)	Net Provisional Assessment
\$1,372,194.73	(\$3,403,741.30)	(\$2,031,546.57)

January Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the January 2014 billing period.

Forms	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2014/01
AC2	\$9,600	(\$72,900)	(\$63,300)
AC4	\$0	\$0	\$0
AC5	\$0	\$0	\$0
NGL1	\$0	\$0	\$0
VA2	\$0	\$0	\$0
VA3	\$0	\$0	\$0
VA4	\$100	\$0	\$100
Total	\$9,700	(\$72,900)	(\$63,200)

Production Allocation Discrepancy (PAD) Potential Royalty Impact

As of the January 2014 billing period, the potential royalty dollar impact is estimated as \$3.1 million, distributed as follows by production year:

2013	2014
\$2.2 million	\$0.9 million

Note: These values are not intended to show that Crown royalty has been understated but do illustrate the consequences of incorrect reporting.

Well Event Measured Depth Determination Letter

The department has issued a "Well Event Measured Depth Determination Letter" under the Report Package DOE – Gas to facility operators via Petrinex on March 1, and March 15, 2014. This letter shows the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the Alberta Royalty Framework formula.

A well event that is not listed on the letter and does not have a confirmed MD will receive a DF of 1. When the changes to the MD are confirmed by the department, a letter is issued to a facility operator who reports changes through Petrinex to well event attributes affecting MD. All changes to the MD are applied on a go forward basis only. Facility operators are advised to submit well event attribute changes by the last day of the calendar month in order for timely determination of MD.

NGDDP Confidential Wells

Wells designated as "confidential" will be reviewed prior to the removal of the "confidential" status, if the directional surveys and completion reports are provided to the department. Send directional surveys and completion reports to GasRoyaltyPrograms@gov.ab.ca

If you have any questions, please contact Lily Hiew in Gas Royalty Features at 780-427-1550.

C. INFRASTRUCTURE DATA

Business Associate ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, and includes Working Interest Owner (WIO) role start/end dates.

This report is also published daily on the Petrinex website.

The Department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry/Crown Land Data at 780-422-1395 or CrownLandDataSupport@gov.ab.ca if you have any questions regarding the information supplied in this article.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client status changes, names, or IDs, please contact Client Registry/Crown Land Data at 780-422-1395 or CrownLandDataSupport@gov.ab.ca.

Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

D. REMINDERS

PAD Discrepancy Reports

Effective May 7, 2012, the "Production Allocation Discrepancy" (PAD) report was made available for Industry's use to validate that residue sales gas and extracted (processed) liquids do not exceed the raw gas production, beyond a reasonable threshold. These discrepancies are reported effective with the 2009 production year.

The 2009 production year became statute barred on December 31 2013. Therefore, although the Petrinex PAD reports continue to reflect 2009 discrepancies, please note that the Department of Energy will not accept amendments for the 2009 production year if a request had not been made to the DOE by December 31, 2013 to keep the 2009 year open for these filings. Should the Petrinex PAD reports reflect discrepancies in the future for statute barred years, the Department of Energy will not accept amendments for statute barred years. The Department of Energy does not issue PAD discrepancy reports for a production year once it becomes statute barred.

Alberta Royalty Framework – Transition Rate (ARF-T)

The Alberta Royalty Framework- Transition Rates (ARF-T) were applied effective the January 2009 production period to the December 2013 production period. Effective the January 2014 production period, ARF-T well events will be calculated royalty using the Alberta Royalty Framework (ARF) rate formula, unless they qualify for a new well royalty rate. Any amendments to production periods prior to 2014 for wells that were ARF-T well events will be calculated using the transition rates.

If you have any questions, please contact Joyce Chen or Nicole Le Blanc of Volumetric & Cost Reporting at VCR@gov.ab.ca.

Monthly Sulphur Corporate Average Price Calculation – VA4 Form

The Department requires royalty clients with an annual sulphur production of 30,000 tonnes or greater in the 2013 production year to file VA4 forms monthly, beginning with the January 2014 production month. The VA4 form is due on or before the 15th day of the second month following the respective production month.

A royalty client whose annual sulphur production is less than 30,000 tonnes may choose to file the VA4 forms monthly beginning with January's production month; however, if this choice is made, the client must file VA4 forms for the entire year. The Department will use the VA4 forms to determine each client's monthly Sulphur Corporate Average Price (S-CAP)

and the monthly sulphur default price. We calculate each month's sulphur default price as the weighted average unit value of all arm's length sales for all clients who filed VA4 forms

for that month. The Department will value and invoice the Crown royalty share of sulphur production monthly using the respective S-CAP price for clients who file VA4 forms, and the sulphur default price for clients who chose not to file VA4 forms. The VA4 form is subject to \$100 in late filing penalties for each month or part of the month the form is past due.

Annual Sulphur Corporate Average Price Calculation – VA3 Form

Royalty clients who file monthly VA4 forms must file annual VA3 forms. The VA3 form remains the primary sulphur valuation tool and the S-CAP determined from each VA3 will replace the entire year's monthly prices determined from the VA4 forms. The VA3 is due on or before April 15th of the year following the year of production. Interest is charged and/or paid on the Crown royalty difference when adjusting from monthly to annual valuation. The VA3 form is subject to a one-time \$1,000 late filing penalty. Read the next article for further information.

The following royalty clients must submit VA4 forms effective with the 2014 production year, which includes any pricing information for each of its consolidated/amalgamated entities:

Client ID	Client Name	Client ID	Client Name
0017	IMPERIAL OIL RESOURCES	0RC3	DIRECT ENERGY MARKETING LIMITED
0026	ENCANA CORPORATION	0Z0H	HARVEST OPERATIONS CORP.
0BP8	PENN WEST PETROLEUM LTD.	A2F0	SHELL CANADA ENERGY
0CW8	COMPTON PETROLEUM CORPORATION	A2TG	TAQA NORTH LTD.
0F3F	DEVON CANADA	A5R5	PENGROWTH ENERGY CORPORATION
0HE9	CANADIAN NATURAL RESOURCES LIMITED	A5RD	ENERPLUS CORPORATION
0JL8	APACHE CANADA LTD.	A68P	CQ ENERGY CANADA RESOURCES PARTNERSHIP
0R46	HUSKY OIL OPERATIONS LIMITED	A6GD	SINOPEC DAYLIGHT ENERGY LTD.

E. BUSINESS CONTACTS

Quick Reference

Group	Email
Petrinex Service Desk	Petrinexsupport@Petrinex.ca
Client Registry / Crown Land Data	CrownLandDataSupport@gov.ab.ca
Volumetric & Cost Reporting	VCR@gov.ab.ca
Management Information	ManagementInformation.Energy@gov.ab.ca
Gas Royalty Accounting	GasRoyaltyAccounts.Energy@gov.ab.ca
Gas Royalty Features	GasRoyaltyPrograms@gov.ab.ca

Petrinex Service Desk

The focal point for communications regarding preparations for, access to, or utilization of Petrinex is the Petrinex Service Desk, or Petrinex Support.

Phone: 403-297-6111 or 1-800-992-1144

Fax: 403-297-3665

Email: Petrinexsupport@Petrinex.ca

Website: www.Petrinex.ca

Volumetric & Cost Reporting

Volumetric & Cost Reporting (V&CR) is the Front Line of contact for inquiries relating to volumetric and cost reporting as well as gas royalty calculation processes. V&CR is made up of four teams as shown below:

Team	Team Lead
Volumetrics	Nicole Le Blanc
Costs	Joyce Chen
Process Support	Penny White
Special Projects	Oana Jurgea

Gas Royalty Voicemail: 780-422-8727

Fax: 780-427-3334 or 780-422-8732

Alberta Toll Free: 780-310-0000

Gas Royalty Email: VCR@gov.ab.ca

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.

Management Information

All inquiries or requests that relate to royalty information (e.g. Information Letter, Information Bulletin and other Department of Energy's Natural Gas website publications) and questions

related to Commercial Storage and Farm gas should be forwarded to the Management Information Team at ManagementInformation.Energy@gov.ab.ca.

Gas Royalty Accounting

All inquiries or requests that relate to royalty accounting (e.g. Transfers, Refunds, Interest, Statement of Account, Collections and Royalty Deposits) should be forwarded to the Royalty Accounting Team at GasRoyaltyAccounts.Energy@gov.ab.ca.

Gas Royalty Features

All inquiries or requests that relate to royalty programs (e.g. Natural Gas Deep Drilling Program, New Well Royalty Rates and Otherwise Flared Solution Gas Royalty Waiver Program) should be forwarded to the Royalty Features team at GasRoyaltyPrograms@gov.ab.ca.

Reference Prices and Valuation Allowances Calculation Information

For information related to reference prices, price valuation, and allowances calculation, contact the Pricing & Analysis Team located at the Alberta Energy office in Calgary:

Pricing & Analysis
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403-297-5514
Fax: 403-297-5400

Alberta Energy Internet Webpage

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet webpage: www.energy.alberta.ca. From "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", and "Alberta Natural Gas Reference Price (ARP)". In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".



Richard Stokl
Director, Gas Royalty Operations
Royalty Operations